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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re: : Chapter 11 Case No.
:
LEHMAN BROTHERS HOLDINGS INC., et al. : 08-13555 (JMP)
:
Debtors. : (Jointly Administered)

**LIMITED OBJECTION AND RESERVATION OF RIGHTS OF
AIG MARKETS INC. TO THE DEBTORS' NOTICE OF PROPOSED
ASSUMPTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES
PURSUANT TO DEBTORS' THIRD AMENDED JOINT CHAPTER
11 PLAN PURSUANT TO SECTION 1121 OF THE BANKRUPTCY CODE**

AIG Markets, Inc. ("AIG Markets"), formerly known as AIG CDS Inc., by and through its undersigned counsel, hereby files this limited objection and reservation of rights (the "Objection") with respect to the Debtors' Notice of Proposed Assumption of Executory Contracts and Unexpired Leases Pursuant to Debtors' Third Amended Joint Chapter 11 Plan Pursuant to Section 1121 of the Bankruptcy Code (the "Cure Amount Notice"). In support thereof, AIG Markets states as follows:

BACKGROUND

1. AIG Markets is counterparty to an ISDA Master Agreement dated as of July 14, 2004 (the "Master Agreement") with Lehman Brothers Special Financing Inc. ("LBSF"). Prepetition AIG Markets and LBSF entered into several transactions (the "Transactions")

governed by the Master Agreement. On March 19, 2010, LBSF and AIG Markets entered into an Amendment Agreement, whereby LBSF and AIG Markets agreed to the settlement of certain amounts due and payable under the Master Agreement and to the termination of certain Transactions. Pursuant to the Amendment Agreement, LBSF continues to make periodic payments to AIG Markets.

2. Pursuant to paragraph 9(a) of the Debtors' Notice of (i) Approval of Disclosure Statement; (ii) Establishment of Record Date; (iii) Hearing on Confirmation of the Plan and Procedures for Objecting to Confirmation of the Plan; and (iv) Procedures and Deadline for Voting on the Plan dated September 9, 2011 (the "Confirmation Hearing Notice"), the Debtors committed to serve by October 27, 2011 a Cure Amount Notice to any counterparty to an executory contract or unexpired lease listed in the Plan Supplement to be assumed pursuant to the Plan, and counterparties were required to serve any objection to the Debtors' proposed assumption or cure by the later of (i) the November 4, 2011 Plan Objection Deadline or (ii) fourteen (14) days from service of the Cure Amount Notice. On November 7, 2001, the Debtors agreed to extend this objection deadline (the "Deadline") to November 14, 2011.

3. On October 25, 2011, the Debtors filed their Plan Supplement [Docket No. 21254] (the "Plan Supplement"), which contained a Schedule of Executory Contracts and Unexpired Leases to be Assumed Pursuant to Section 11.1 of the Plan. The Plan Supplement lists AIG Markets as a counterparty to an executory contract to be assumed by LBSF in connection with confirmation of the Plan. The Plan Supplement provides that "[u]less a specific derivatives contract is noted for a specific counterparty, the Debtors intend to assume all derivatives contracts with each counterparty set forth on Exhibit 2, Part A [of the Plan Supplement]."

4. Although October 27, 2011 was established as the date for service of the Cure Amount Notices, AIG Markets does not have any record of receiving, and has been unable to confirm that it did receive, such Cure Amount Notice. It was not until November 11, 2011, after requesting copies from the Debtors, that AIG Markets received a copy of the Cure Amount Notice. The Cure Amount Notice states that LBSF intends to assume all derivative contracts with AIG Markets and lists a cure amount of \$0.

ARGUMENT

5. Section 365(a) of the Bankruptcy Code permits a debtor to assume an executory contract so long as the debtor is able to meet certain conditions in the assumption of that executory contract. 11 U.S.C. §§ 365(a)-(b). Pursuant to Bankruptcy Code section 365(b)(1)(A), the Debtors are required to cure all defaults under an executory contract as a condition to the assumption and/or assignment of such contract. See In re M. Fine Lumber Co., Inc., 383 B.R. 565, 573 (Bankr. E.D.N.Y. 2008). The Debtors fail to particularize which contracts the Debtors seek to assume. Both the Plan Supplement and the Cure Amount Notice provide that where no particular contract is named, the Debtors intend to assume all executory contracts with the counterparty.

6. To date, LBSF has been making timely payments under the Amendment Agreement as and when those payments become due and owing. AIG Markets files this limited objection to ensure that, to the extent payments become due and payable prior to the effective date of any assumption of contracts pursuant to the Plan, as part of assumption LBSF is required to pay AIG Markets any outstanding amounts under the Amendment Agreement.

CONCLUSION

WHEREFORE, for the reasons stated herein, AIG Markets respectfully requests that the Court enter an order (i) denying the assumption of the Master Agreement, or any other executory contract to which AIG Markets is party that may be within the scope of the Plan Supplement, unless and until any cure amounts then owing are paid in connection with the assumption of such Master Agreement and/or any other applicable contract and (ii) granting AIG Markets such other and further relief as the Court deems just and proper.

AIG Markets hereby reserves the right to supplement and/or amend this Objection, which is without prejudice to the assertion of other claims for relief with respect to contracts and matters addressed herein.

Date: New York, New York
November 14, 2011

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